

BILL SUMMARY

SB 5781

Title: Authorizing retired local government employees to receive benefits from the public employees' benefits board.

Sponsors: Senators Fraser, Benton, Pflug, Regala, Zarelli, Rasmussen, Keiser, Kline, Haugen, Roach, Prentice, Jacobsen, Kohl-Welles

Legislative History: 2005 Regular Session -- Feb 7, First reading, referred to Ways & Means.

Brief Summary of Bill:

- Creates a definition of “retired local government employee”.
 - Provides retired local government employees with access to retiree health care coverage through the Public Employee Benefit Board (PEBB) in the community-rate risk pool along with retired and disabled state, K-12, and higher education members.
-

Background:

- Currently retired or disabled state, K-12, and higher education employees are eligible for continuation of coverage under the Public Employees’ Benefits Board insurance programs.
- Retired or disabled county, municipality, or other political subdivision PERS Plan 1 and PERS Plan 2 employees, and their dependents, are eligible to continue in insurance programs offered by their employers (if available).
- Separated county, municipality, or other political subdivision PERS Plan 3 employees who are at least age 55 and have at least 10 years of service are eligible to continue in insurance programs offered by their employers (if available).

Summary of Bill:

Senate Bill 5781 would have provided access to health benefits for “retired local government employees” of the Public Employees’ Retirement System (PERS) Plan 1, 2, or 3. The bill defines a "retired local government employee" to mean:

- Persons who separated from employment with a county, municipality, or other political subdivision of the state and are receiving a retirement allowance from PERS as of July 1, 2005;
- Persons who separate from employment with a county, municipality, or other political subdivision of the state on or after July 1, 2005, and immediately upon separation receive a retirement allowance from PERS; or

- Members of PERS Plan 3 who are at least fifty-five years of age and who have at least ten years of service credit and who separate from employment with a county, municipality, or other political subdivision of the state on or after July 1, 2005, and immediately upon separation elect to continue health insurance coverage with their employer or coverage provided by the public employees' benefits board.

The local government employers would have been required to remit the cost of premium subsidies (explicit and implicit) to the Health Care Authority.

The bill would have added additional retirees into the active/non-Medicare risk pool creating an expected increase in the implicit subsidy and provided that the increased costs would be covered by the amount remitted by the local governments.

PEBB purchases health care benefits for many subgroups comprised of many members. By purchasing insurance for combined groups, the higher costs for older members are somewhat offset by the lower cost for younger members. This is referred to as an implicit subsidy. PEBB has two distinct groups: (1) the state active employees and non-Medicare retirees and (2) Medicare retirees. Each group is referred to as a “risk pool”. The insurance companies evaluate the risk involved to insure each group and establish rates based on the perceived risk of future claims.

The state active-non-Medicare risk pool consists of all state-active employees and non-Medicare retirees under the age of 65 who are not eligible for Medicare. This bill proposed to allow retired local government employee to join this risk pool.

Because non-Medicare retirees have approximately a 50 percent higher risk factor than a state active enrollee, health plans would likely increase premiums to cover increased costs. As a result, enrolling more retired local government employees in the non-Medicare risk pool increases the implicit subsidy. It was assumed in the Health Care Authority Fiscal Note that the contribution and premium rates would cover these additional expenses.

Fiscal Note: Available

The estimated expenditures provided in the Washington State Health Care Authority Fiscal Note for Senate Bill 5781 were as follows:

2005-2007	2007-2009	2009-2011
\$150,683,433	\$200,598,787	\$234,829,589